



Bart L. Graham  
Commissioner

State of Georgia  
**Department of Revenue**

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September 22, 2009

Mr. Jim Galloway  
Atlanta Journal-Constitution  
72 Marietta Street N.W.  
Atlanta, GA 30303

Dear Mr. Galloway:

We are writing to clarify certain references made in your article on page 1 of the Atlanta Journal-Constitution Metro Section on September 21, 2009. Sources in the article erroneously stated that over \$1.6 billion in sales and use tax revenue is uncollected annually by the Georgia Department of Revenue.

We previously provided the \$1.6 billion figure in the Joint House and Senate Appropriations Budget Briefing on January 21, 2009. It is actually the total amount of all delinquent tax accounts of all tax types dating back to 1988. Senator Chip Rogers (R) is correct that "there is no way" there is \$1.0 billion of sales tax annually which goes uncollected.

We will always agree that more collectors will always collect more money. If the solution was as simple as hiring private companies to collect taxes, many states and the IRS would have been privatizing tax collections for decades. Alabama, which authorized local collection in 1947, is joined by only Louisiana, Colorado, and Arizona out of the 36 states which have local sales taxes.

In general, states across the country have decided that it doesn't make sense to require businesses to file a separate return for each county (up to 159 in Georgia each month) in which they do business, each with the authority to perform its own tax audits, make its own legal interpretations, and entrusting confidential information to private collectors and numerous local government officials who would not otherwise have a tax compliance reason to know. Moreover, other legal complications would abound with ignored legal precedent and conflicting legal interpretation. The result of which would be more tax litigation in the State's court system.

We know how the Georgia-based furniture company with seven stores in Georgia would feel about filing seven different county sales tax returns and a state sales tax return monthly rather than a single state and local return because we have asked them. We also know how they would feel about being subject to seven new audit jurisdictions. Conversely, we know how many of Georgia's 159 counties would get an audit appointment with an out-of-state Fortune 100 retailer operating in Georgia that already deals with 50 states and the IRS.

While it does make sense to outsource some activities, this Department of Revenue would not outsource in areas where taxpayer rights are paramount. If you pay a contractor based on how much they collect, then of course the contractor will have every incentive to be overly aggressive, and you would probably never see another penalty waiver granted when circumstances warrant it. The Department certainly gets asked enough times every year to waive penalties and interest on past due taxes not only by taxpayers but by their advocates. When the law and circumstances warrant such, the Department is pleased to oblige. In this proposal, advocates would be appealing to private companies or the local jurisdictions increasing the risk of politicizing revenue collection.

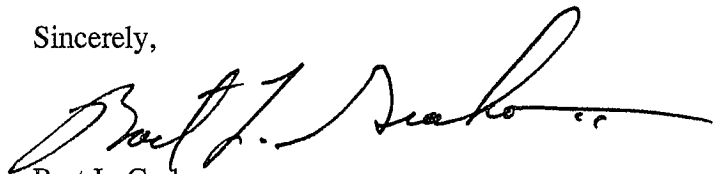
The exercise of taxing authority must have oversight - the executive and legislative branches oversee everything the Department of Revenue does. Allowing collection based upon a profit motive rather than sound tax law and regulation would ensure taxpayers would be disadvantaged. One of, if not the most, significant conflicts in this entire issue is why anyone would authorize local governments to hire for-profit tax collectors paid for by taxpayers at the same time the Department of Revenue's budget has been reduced by over 10% last year alone. Despite the fact that for-profit collection is more costly and the collection expense is paid for first, it is treated as no cost at all.

As stated above, we agree that more collectors will collect more money. In the last five years, our enhanced past due collection initiatives have resulted in over \$515 million in additional collections. If local jurisdictions want us to do more audits, we have said that we will do them, and we will partner with local jurisdictions to identify businesses that are not registered that should be collecting sales tax. We have recently joined with several counties and cities in a Local Government Information Sharing Pilot Initiative to exchange data - the locals know the businesses in their areas and can quickly determine if there is a local business license tax account but no sales tax registration.

The Department supported legislation in 2009 to require more businesses to file electronically. This electronic filing requirement passed by the General Assembly and signed into law by the Governor will begin allowing the Department to spend more resources on collections and less on data processing once fully implemented next year.

The Department of Revenue should always go through the exercise of trying to accomplish our mission less expensively and more professionally just as other agencies have had to do in this economy. We also agree that change is always helpful and is ongoing. We have been drastically changing the virtually never changed first 52 years of sales tax administration in Georgia for the last six and a half years. For those wishing to learn more about the impact and repercussions of private sales tax collection, please visit our website at [www.dor.ga.gov](http://www.dor.ga.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Bart L. Graham", with a long horizontal flourish extending to the right.

Bart L. Graham  
Commissioner  
Georgia Department of Revenue

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